

Message Text

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ACTION EUR-12

INFO OCT-01 AF-08 EA-07 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 FEA-01

INT-05 OIC-02 ARA-06 NEA-10 AGR-05 DODE-00 H-02 L-03

NSC-05 PA-01 SS-15 ITC-01 USIA-06 PRS-01 /128 W

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R 191732Z MAY 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 1203

INFO ALL EC CAPITALS 2138

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMEMBASSY PRETORIA

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E.O. 11652: N/A

TAGS: ETRD, EFIN, EEC

SUBJECT: MAY 13 ARTICLE 113 COMMITTEE-DISCUSSION OF MTN ITALIAN
PRIOR DEPOSIT SCHEME, OTHER TRADE ISSUES

REF: A) EC BRUSSELS 4863, B) THE HAGUE 2728, C) GENEVA 3516

1. EC PERM DEL AND COMMISSION OFFICIALS TELL US THAT THE
MAY 13 DEPUTIES-LEVEL ARTICLE 113 COMMITTEE MEETING DISCUSSED
A RANGE OF TRADE ISSUES. NO PROGRESS WAS MADE ON THE EC MTN
TARIFF PROPOSAL BECAUSE THE FRENCH CONTINUED TO RESIST TAKING
A FINAL POSITION. ALL OTHER MEMBER STATES, EXCEPT DENMARK,
SAID THEY WERE WILLING TO ACCEPT X EQUALS Y WITH FOUR ITERATIONS
AS A COMPROMISE. THE DANES SAID THEY WOULD NOT CHANGE THEIR
ORIGINAL PROPOSAL OF FIVE ITERATIONS UNTIL THE FRENCH PUT
FORWARD THEIR POSITION. THE HIGH-LEVEL ARTICLE 113 COMMITTEE
WILL TAKE UP THIS ISSUE ON MAY 21, BUT THE COMMITTEE

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IS NOT EXPECTED TO REACH AGREEMENT. COMMISSION OFFICIALS
SAY THE FRENCH ARE DELAYING AGREEMENT FOR TACTICAL REASONS.

2. THE COMMITTEE AGREED THAT THE COMMISSION SHOULD INFORM THE GATT IN WRITING OF ITS DECISION TO AUTHORIZE A TEMPORARY ITALIAN PRIOR DEPOSIT SYSTEM. (SEE REF C.) THE ITALIANS MAINTAINED THAT THIS MEASURE ONLY AFFECTED FINANCIAL TRANSACTIONS, NOT TRADE, AND CONSEQUENTLY THIS WAS NOT A MATTER FOR GATT. THE GOI, HOWEVER, AGREED TO INFORMING THE GATT AS A MATTER OF COURTESY.

3. A SPECIAL WORKING GROUP IS CONSIDERING A PAPER WHICH IS DESIGNED TO REFUTE THE US STEEL COMPLAINT BEFORE THE CUSTOMS COURT ON THE VAT ON STEEL IN ORDER TO PROVIDE US AUTHORITIES ARGUMENTS WHICH THEY COULD DRAW UPON IN DEFENDING THE CASE. THE COMMITTEE IS EXPECTED TO AGREE TO THE PAPER AT THE MAY 21 MEETING.

4. THE COMMITTEE ALSO RECEIVED A REPORT ON NEW ZEALAND'S IMPORT DEPOSIT SCHEME, WHICH ALLEGEDLY DISCRIMINATES AGAINST EC TRADE. THE COMMISSION HAS HELD BILATERAL DISCUSSIONS WITH NEW ZEALAND AND PLANS TO RAISE THIS MATTER AT GATT. THE COMMITTEE ALSO DISCUSSED TWO EC TRADE COMPLAINTS WITH JAPAN. THE COMMISSION PLANS TO MAKE A DEMARCHE IN TOKYO REGARDING RESTRICTIONS ON ITALIAN RAW SILK EXPORTS TO JAPAN AND IS CONSIDERING RAISING THIS ISSUE AT THE JUNE GATT COUNCIL MEETING. THE GOJ HAS ALSO RESTRICTED IMPORTS OF DANISH CANNED HAMS INTO OKINAWA. THE EC HOPES TO SOLVE THIS PROBLEM THROUGH BILATERAL DISCUSSIONS. THE FRG COMPLAINED THAT SOUTH AFRICA HAD RECENTLY INCREASED ITS TARIFFS BY ABOUT 50 PERCENT ON 114 ITEMS. SINCE THERE WERE NO GATT BINDINGS ON THESE TARIFFS, THE COMMISSION DID NOT BELIEVE MUCH COULD BE DONE ABOUT THESE INCREASES, BUT IT AGREED TO RAISE THE MATTER WITH SOUTH AFRICANS. HINTON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, COMMITTEE MEETINGS, TARIFF NEGOTIATIONS, BANK DEPOSITS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ECBRU05036
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760195-0457
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760538/aaaabgkb.tel
Line Count: 95
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 EC BRUSSELS 4863, 76 THE HAGUE 2728, 76 GENEVA 3516
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2004 by CollinP0>; APPROVED <02 APR 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MAY 13 ARTICLE 113 COMMITTEE-DISCUSSION OF MTN ITALIAN PRIOR DEPOSIT SCHEME, OTHER TRADE ISSUES
TAGS: ETRD, EFIN, IT, BE, US, DA, EEC, GATT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006